

3 November 1976

TALKING POINTS

1. There are clear signs of genuine jubilation among the populace, Communist Party, Military and Government on the purge of the much-disliked four Shanghai radicals. On the surface there is also a remarkable cohesion between the new Chinese leaders and the people. This cohesion extends to provincial leadership and former radical organizations which have supported the actions of Premier Hua in his purge.

2. Premier Hua had to use the military to achieve this purge and he owes them a debt. The military is split on regional, ideological and personal lines and has behaved opportunistically in past campaigns. Hence, Hua may be having a difficult time in negotiating with the military right now. The points of contention are:

-- How many slots does the military get in the Politburo?

-- How many vice chairmen of the Party will be military men?

-- Who will be the next chief of staff?

-- What will be the allocation of scarce resources to military modernization as opposed to civilian construction?

3. There are a few straws in the wind as to which way the new leadership group in China is heading and most of these straws are blowing in the same direction. For instance,

-- There is greater emphasis on production and the leftists are accused of sabotaging China's development. Chou En-lai's formula for a great, modern socialist state by year 2000 is being emphasized.

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-- Premier Hua is being lionized. He is taking Mao's titles and has added an extra job which Mao never had - premier. There is no denigration of Mao but he is being put in context as one of several great communist leaders. So far the new leadership is paying lip service to the preservation of Mao's vision of a revolutionary society.

-- The campaign against deposed Teng Hsiao-ping is being curtailed but there are no signs yet that he will gain a key leadership position. The new leadership so far has limited the purge of radicals to several hundred. There is little evidence that a massive purge of leftists will take place. Shanghai, the radical base, is, however, being cleaned out of radical supporters.

-- The Chinese are signalling that they are re-viewing foreign trade policy and their fifth Five Year Plan. There are tentative indicators that they will be expanding whole plant and technology purchases from the West. China is constrained, however, in trade expansion by lack of foreign exchange.

-- The Chinese may increase cultural and scientific/technical exchanges with the West.

4. In foreign policy China has verbally continued its strong attacks against the Soviet Union while privately indicating that improvement in state-to-state relations is possible. The Soviets have made several propagandistic gestures of reconciliation which so far have been rebuffed by China.

-- The new Chinese leadership including Premier Hua, the defense minister, Yeh, and the senior vice premier in charge of economy, Li, have told visiting Americans that China has again placed the Soviet Union as its top priority problem and has downgraded the Taiwan issue. This is a reversion to Chou En-lai's policy. Last summer the radical leadership (now purged) had informed Americans that China was preparing to use force in the short term in the liberation of Taiwan. The Chinese leadership will

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probably not renounce the use of force but will again stress peaceful means and negotiation. China has reiterated its three conditions for normalization of relations:

- Withdrawal of all U.S. troops from Taiwan.
- Breaking diplomatic relations with Taiwan.
- Abrogation of the security treaty.

5. The Chinese have recently shown a remarkable degree of candor in discussing their internal situation with foreigners. This does not mean they are a free society but it does indicate that they have moved away from earlier tight restrictions on associations with foreigners.

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